

Rule No. 560-X-42-.17 Chain Operations

(1) A chain organization consists of a group of two or more ICF/~~MR~~IID facilities which are owned, leased, or through any other device controlled by related organizations or individuals. The home office of a chain organization is not a provider in itself; therefore, its costs may not be directly reimbursed by the program. The home office organization will be treated as a "related party" to participating ICF/~~MR~~IID facilities for purposes of this Chapter. Only the home office's actual cost of providing management services is permitted to be allocated to the providers and then only to the extent that they do not duplicate services already provided in the ICF/~~MR~~IID facility. Costs that would not be allowable if directly claimed by a provider will not be allowed as an allocation from a home office.

(2) It is not considered appropriate for the taxpayers of Alabama to pay more for the operation of an ICF/~~MR~~IID facility owned or operated by a chain than would be paid for an individually operated ICF/~~MR~~IID. A chain operated facility is expected to be more efficient and economical to operate than an individually operated facility.

(3) If a home office provides centralized laundry, maintenance, and purchasing services to facilities, the actual costs of providing these services will be charged to the facilities to which the services are provided. The facility will report these costs in the appropriate cost center on its cost report.

(4) Maintenance, Central Purchasing, and Laundry

(a) Examples of home office costs associated with providing these services include:

1. Maintenance

- (i) Salaries and Benefits
- (ii) Supplies
- (iii) Materials
- (iv) Travel expense subject to limitations contained in Rule 560-X-42-.10

2. Central Purchasing

- (i) Salaries and Benefits
- (ii) Goods
- (iii) Supplies
- (iv) Materials
- (v) Travel expense subject to limitations contained in Rule 560-X-42-.10
- (vi) Building Costs
 - (I) Insurance
 - (II) Rent
 - (III) Lease
 - (IV) Utilities
 - (V) Depreciation
 - (VI) Interest

3. Laundry

- (i) Salaries and Benefits
- (ii) Supplies
- (iii) Materials

- (iv) Travel expense subject to limitations contained in Rule No. 560-X-42-.10
- (v) Building costs
 - (I) Insurance
 - (II) Rent
 - (III) Lease
 - (IV) Utilities
 - (V) Depreciation
 - (VI) Interest

(b) Allowable salaries and benefits for these services will be limited to persons directly involved in performing such services. Allowable costs, as defined in this section, which can be identified to a specific member of the chain will be directly allocated to the proper cost center of that facility. The allowable costs not directly allocable should be allocated among the providers (and to any non-provider activities in which the home office may be engaged) on a basis designed to equitably allocate the costs over the chain components or activities receiving the benefits from the costs and in a manner reasonably related to the services received by the entities in the chain. The costs of allocated building space must be used exclusively for these purposes and based on percentage of usage of total square feet. If a separate building is utilized, separate utility meters must be utilized.

(5) Administrative Costs

All costs incurred in maintaining a home office other than maintenance, central purchasing, and laundry costs will be classified as Administrative and Management costs and will be subject to the limitations contained in Rule No. 560-X-42-.07. Allocation of these costs to a facility will be on the basis of resident days.

(6) Equity Capital

See Rule No. 560-X-42-.13 of this Code.

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Statutory Authority: State Plan; Title XIX, Social Security Act, 42 C.F.R. Section 447.250-.255.

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